

December 24<sup>th</sup>, 2009

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> and Constitution Ave, NW  
Washington, DC 20511

RE: Proposed Changes to Closed-End Mortgage Rules Docket N. #1366

Dear Sir or Madam:

I am writing to express my concern regarding the proposal amending Regulation Z with respect to closed-end mortgages. I have witnessed first hand the mortgage meltdown and the housing collapse. However, I do not agree that the proposed changes would benefit the consumer, and think it would actually be detrimental.

My employer is a mid-sized lending institution based in Texas. My office is located outside Raleigh, NC. The market I serve is a medium sized market, with many rural towns and communities nearby. Loans I have closed range from \$50k starter/renovation loans to \$2 million estates. Both ends of the spectrum require great expertise and effort to create a successful outcome.

The smaller homes in the rural markets are my concern. These markets tend to bring borrowers with more challenging situations, more difficulty finding suitable comparable sales (appraisal issues), and require a great deal of support to meet the more restrictive loan underwriting conditions. Without the ability to be compensated for the extra work involved, I suspect this market will become the victim of this new proposal.

The current regulations require full disclosure of costs, fees, and payments for any borrower's loan request. This gives the borrower the ability to shop their loan to find the right loan for them. The lending industry is very competitive and the tools are in place to help the borrower make their own choice.

Limiting the income a loan officer can earn will have other unintended consequences. As we already know, the large lending institutions are struggling (to say the least) to keep up with loan demand. Many are requiring 60 days minimum to close a purchase transaction. But borrowers may need a quicker turn-time than 60 days. Our company's ability to hire the staff required to accommodate these situations relies on the compensation we earn. This level of customer service would be eliminated completely by the new compensation limits! (Nordstroms compared to Walmart). Buyers/borrowers would have the choice... wait 60 days to close their loan, or pay slightly higher costs for exceptional, quick service. But under the new proposal, this choice would be eliminated!

Many new rules are in place to monitor loan officers and ensure the industry is policing itself. The SAFE Act and education requirements will greatly curb the past abuses that fueled the meltdown. I would suggest the Board use the compensation limit on the riskier loan products (currently, those have been eliminated from the marketplace). The current conventional loans (including FHA, VA and USDA) do not carry the potential abuse as the subprime loans. Lenders are already struggling to meet the new laws and rules, with more coming January 1, 2010. Piling on more restrictions may put more lenders out of the business, hampering the consumer further.

Thank you for the opportunity to comment on the proposed rule.

Respectfully,  
Brad Arendt  
10 yr Loan Officer in North Carolina